



# PHUMELELA

---

## LOCAL MUNICIPALITY

Phumelela Local Municipality  
(Registration number :Demarcation number: FS 195)  
Financial statements  
for the year ended 30 June 2014  
Auditor-General South Africa

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## General Information

---

<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interests of the local community mainly in the Vrede area.
<b>Executive Committee</b>	
Mayor	Cllr TJ Motaung Cllr MD Kobeni Cllr DA Wessels
Councillors	Cllr TR Zwane (Speaker) Cllr Tshabalala SE Cllr Mofokeng JM Cllr Nkabinde DM Cllr Mokoena OA Cllr Tshabalala OS Cllr Ngwenya Sithebe JM Cllr Zwane SM CllrRadebe AD Cllr Radebe TE Cllr Msimanga LM Cllr Masiteng TN
<b>Grading of local authority</b>	Low Capacity (Grade 2)
<b>Accounting Officer</b>	Mr BW Kannemeyer
<b>Chief Finance Officer (CFO)</b>	Mr TM Moremi until 17 February 2014 (Resigned) Mr Sello Nyapholi - From 01 June 2014
<b>Registered office</b>	Civic Centre Cnr. Prinsloo and Kuhn Streets Vrede 9835
<b>Business address</b>	Civic Centre Cnr. Prinsloo and Kuhn Streets Vrede 9835
<b>Postal address</b>	Private Bag X5 Vrede 9835
<b>Bankers</b>	ABSA Bank Ltd (Primary Account) First National Bank
<b>Auditors</b>	Auditor-General South Africa
<b>Attorneys</b>	Bahlekazi Attorneys Breytenbach Mavuso Inc. Sarina Fourie Inc.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Index

---

The reports and statements set out below comprise the financial statements presented to the Auditor General of South Africa:

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Accounting Officer's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10
Appropriation Statement	11 - 15
Accounting Policies	16 - 30
Notes to the Financial Statements	31 - 63
Appendixes:	
Appendix A: Schedule of External loans	64
Appendix B: Analysis of Property, Plant and Equipment	66
Appendix D: Segmental Statement of Financial Performance	72
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	74
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	77
Appendix G(3): Budgeted Financial Performance (revenue and expenditure)	78
Appendix G(4): Budgeted Capital Expenditure by vote, standard classification and funding	80
Appendix G(5): Budgeted Cash Flows	82

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Index

---

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## **Phumelela Local Municipality**

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

### **Accounting Officer's Responsibilities and Approval**

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements set out on pages 5 to 63, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed on its behalf by:

---

**Accounting Officer**  
**BW Kannemeyer**

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Officer's Report

---

The accounting officer submits his report for the year ended 30 June 2014.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interests of the local community mainly in the vrede area. and operates the Free State Province of South Africa.

Net surplus of the municipality was 1 846 776 (2013: surplus 5 372 771).

### 2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting Officer's interest in contracts

The Accounting Officer does not have an interest in contracts.

### 5. Accounting policies

The financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
Mr B.W. Kannemeyer	South African	Appointed 17 July 2013

### 7. Auditors

Auditor-General South Africa will continue in office for the next financial period.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
<b>Assets</b>			
Current Assets			
Inventories	8	12 720 121	12 800 812
Receivables from exchange transactions	9	1 695 297	1 343 216
Receivables from non-exchange transactions	10	335 547	3 918 121
VAT receivable	11	3 679 010	1 153 217
Consumer debtors	12	4 678 608	1 190 276
Cash and cash equivalents	13	4 458 957	707 771
		<b>27 567 540</b>	<b>21 113 413</b>
Non-Current Assets			
Investment property	3	19 390 444	19 974 659
Property, plant and equipment	4	507 562 514	524 619 938
Intangible assets	5	47 694	47 694
Heritage assets		2 010	2 010
Other financial assets	6	490 901	533 984
		<b>527 493 563</b>	<b>545 178 285</b>
<b>Total Assets</b>		<b>555 061 103</b>	<b>566 291 698</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	16	851 079	731 235
Finance lease obligation	14	442 337	442 337
Operating lease liability		659 921	659 921
Payables from exchange transactions	18	94 453 549	59 871 309
Consumer deposits	19	231 326	232 220
Unspent conditional grants and receipts	15	3 556 809	906 705
Bank overdraft	13	-	1 953 055
		<b>100 195 021</b>	<b>64 796 782</b>
Non-Current Liabilities			
Other financial liabilities	16	2 848 532	3 774 894
Finance lease obligation	14	250 919	781 150
Employee benefit obligation	7	9 666 000	8 197 000
Provisions	17	7 682 456	7 115 134
		<b>20 447 907</b>	<b>19 868 178</b>
<b>Total Liabilities</b>		<b>120 642 928</b>	<b>84 664 960</b>
<b>Net Assets</b>		<b>434 418 175</b>	<b>481 626 738</b>
Accumulated surplus		434 418 175	481 626 738

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
<b>Revenue</b>			
Service charges	23	26 655 865	22 592 369
Rendering of services		717 510	489 675
Interest received (trading)		6 506 525	3 539 175
Licences and permits		16 995	16 977
Rental of facilities		989 631	601 958
Interest received - investment		545 847	672 013
Property rates	22	7 799 030	7 482 667
Government grants & subsidies	24	108 034 694	119 923 319
Fines		64 404	107 650
<b>Total revenue</b>		<b>151 330 501</b>	<b>155 425 803</b>
<b>Expenditure</b>			
Personnel	28	(47 036 796)	(44 482 107)
Remuneration of councillors	29	(4 548 686)	(4 447 485)
Depreciation and amortisation	32	(20 396 203)	(26 376 769)
Impairment loss/ Reversal of impairments	33	-	(1 347)
Finance costs	34	(2 772 351)	(2 027 332)
Debt impairment	30	(21 783 711)	(16 929 193)
Repairs and maintenance		(8 048 694)	(12 629 866)
Bulk purchases	37	(17 843 850)	(17 601 563)
Contracted services	36	(5 655 311)	(3 977 925)
General Expenses	27	(21 398 123)	(21 579 445)
<b>Total expenditure</b>		<b>(149 483 725)</b>	<b>(150 053 032)</b>
<b>Operating surplus</b>		<b>1 846 776</b>	<b>5 372 771</b>
<b>Surplus for the year</b>		<b>1 846 776</b>	<b>5 372 771</b>



## Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	488 541 844	488 541 844
Adjustments		
Prior year adjustments	(12 287 877)	(12 287 877)
<b>Balance at 01 July 2012 as restated*</b>	<b>476 253 967</b>	<b>476 253 967</b>
Changes in net assets		
Surplus for the year	5 372 771	5 372 771
Total changes	5 372 771	5 372 771
Opening balance as previously reported	481 626 798	481 626 798
Adjustments		
Prior year adjustments	(49 055 399)	(49 055 399)
<b>Balance at 01 July 2013 as restated*</b>	<b>432 571 399</b>	<b>432 571 399</b>
Changes in net assets		
Surplus for the year	1 846 776	1 846 776
Total changes	1 846 776	1 846 776
<b>Balance at 30 June 2014</b>	<b>434 418 175</b>	<b>434 418 175</b>
Note(s)		

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		19 395 480	32 828 899
Grants		110 414 798	118 995 399
Interest income		545 847	672 013
Other receipts		1 071 030	726 585
		131 427 155	153 222 896
<b>Payments</b>			
Employee costs		(52 513 413)	(48 929 592)
Suppliers		(19 248 305)	(48 131 236)
Finance costs		(2 772 351)	(2 027 332)
		(74 534 069)	(99 088 160)
<b>Net cash flows from operating activities</b>	38	<b>56 893 086</b>	<b>54 134 736</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(49 938 821)	(64 965 323)
Proceeds from sale of property, plant and equipment	4	-	287 131
Purchase of other intangible assets	5	-	(1 699)
Proceeds from sale of financial assets		43 083	129 149
<b>Net cash flows from investing activities</b>		<b>(49 895 738)</b>	<b>(64 550 742)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(806 518)	3 005 588
Finance lease payments		(530 231)	(406 020)
Other cash item		43 642	-
<b>Net cash flows from financing activities</b>		<b>(1 293 107)</b>	<b>2 599 568</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5 704 241</b>	<b>(7 816 438)</b>
Cash and cash equivalents at the beginning of the year		(1 245 284)	6 571 154
<b>Cash and cash equivalents at the end of the year</b>	13	<b>4 458 957</b>	<b>(1 245 284)</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	29 953 125	-	<b>29 953 125</b>	26 655 865	<b>(3 297 260)</b>	
Rendering of services	-	-	-	717 510	<b>717 510</b>	
Rental of facilities and equipment	1 770 600	-	<b>1 770 600</b>	-	<b>(1 770 600)</b>	
Interest received (trading)	3 208 000	-	<b>3 208 000</b>	6 506 525	<b>3 298 525</b>	
Licences and permits	24 000	-	<b>24 000</b>	16 995	<b>(7 005)</b>	
Other income 1	2 670 000	-	<b>2 670 000</b>	989 631	<b>(1 680 369)</b>	
Interest received - investment	665 000	-	<b>665 000</b>	545 847	<b>(119 153)</b>	
<b>Total revenue from exchange transactions</b>	<b>38 290 725</b>	-	<b>38 290 725</b>	<b>35 432 373</b>	<b>(2 858 352)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	7 994 000	-	<b>7 994 000</b>	7 799 030	<b>(194 970)</b>	
Government grants & subsidies	61 709 850	-	<b>61 709 850</b>	108 034 694	<b>46 324 844</b>	
<b>Transfer revenue</b>						
Fines	210 000	-	<b>210 000</b>	64 404	<b>(145 596)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>69 913 850</b>	-	<b>69 913 850</b>	<b>115 898 128</b>	<b>45 984 278</b>	
<b>Total revenue</b>	<b>108 204 575</b>	-	<b>108 204 575</b>	<b>151 330 501</b>	<b>43 125 926</b>	
<b>Expenditure</b>						
Personnel	(43 057 471)	-	<b>(43 057 471)</b>	(47 036 796)	<b>(3 979 325)</b>	
Remuneration of councillors	(4 112 372)	-	<b>(4 112 372)</b>	(4 548 686)	<b>(436 314)</b>	
Depreciation and amortisation	(2 478 000)	-	<b>(2 478 000)</b>	(20 396 203)	<b>(17 918 203)</b>	
Finance costs	(460 000)	-	<b>(460 000)</b>	(2 772 351)	<b>(2 312 351)</b>	
Debt impairment	(11 454 579)	-	<b>(11 454 579)</b>	(21 783 711)	<b>(10 329 132)</b>	
Repairs and maintenance	(10 066 000)	-	<b>(10 066 000)</b>	(8 048 694)	<b>2 017 306</b>	
Bulk purchases	(13 545 682)	-	<b>(13 545 682)</b>	(17 843 850)	<b>(4 298 168)</b>	
Contracted Services	(2 350 000)	-	<b>(2 350 000)</b>	(5 655 311)	<b>(3 305 311)</b>	
General Expenses	(20 677 471)	-	<b>(20 677 471)</b>	(21 398 123)	<b>(720 652)</b>	
<b>Total expenditure</b>	<b>(108 201 575)</b>	-	<b>(108 201 575)</b>	<b>(149 483 725)</b>	<b>(41 282 150)</b>	
<b>Surplus before taxation</b>	<b>3 000</b>	-	<b>3 000</b>	<b>1 846 776</b>	<b>1 843 776</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>3 000</b>	-	<b>3 000</b>	<b>1 846 776</b>	<b>1 843 776</b>	

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2014</b>											
<b>Financial Performance</b>											
Property rates	7 004 900	-	7 004 900	-		7 004 900	7 799 030		794 130	111 %	111 %
Service charges	30 942 225	-	30 942 225	-		30 942 225	26 655 865		(4 286 360)	86 %	86 %
Investment revenue	665 000	-	665 000	-		665 000	545 847		(119 153)	82 %	82 %
Transfers recognised - operational	61 709 850	-	61 709 850	-		61 709 850	59 289 984		(2 419 866)	96 %	96 %
Other own revenue	7 882 600	-	7 882 600	-		7 882 600	8 295 065		412 465	105 %	105 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>108 204 575</b>	<b>-</b>	<b>108 204 575</b>	<b>-</b>		<b>108 204 575</b>	<b>102 585 791</b>		<b>(5 618 784)</b>	<b>95 %</b>	<b>95 %</b>
Employee costs	(43 155 842)	-	(43 155 842)	-	-	(43 155 842)	(47 036 796)	-	(3 880 954)	109 %	109 %
Remuneration of councillors	(4 112 372)	-	(4 112 372)	-	-	(4 112 372)	(4 548 686)	-	(436 314)	111 %	111 %
Debt impairment	(11 454 579)	-	(11 454 579)			(11 454 579)	(21 783 711)	-	(10 329 132)	190 %	190 %
Depreciation and asset impairment	(2 478 000)	-	(2 478 000)			(2 478 000)	(20 396 203)	-	(17 918 203)	823 %	823 %
Finance charges	(460 000)	-	(460 000)	-	-	(460 000)	(2 772 351)	-	(2 312 351)	603 %	603 %
Materials and bulk purchases	(13 545 682)	-	(13 545 682)	-	-	(13 545 682)	(17 843 850)	-	(4 298 168)	132 %	132 %
Other expenditure	(32 995 100)	-	(32 995 100)	-	-	(32 995 100)	(35 102 128)	-	(2 107 028)	106 %	106 %
<b>Total expenditure</b>	<b>(108 201 575)</b>	<b>-</b>	<b>(108 201 575)</b>	<b>-</b>	<b>-</b>	<b>(108 201 575)</b>	<b>(149 483 725)</b>	<b>-</b>	<b>(41 282 150)</b>	<b>138 %</b>	<b>138 %</b>
<b>Surplus/(Deficit)</b>	<b>3 000</b>	<b>-</b>	<b>3 000</b>	<b>-</b>		<b>3 000</b>	<b>(46 897 934)</b>		<b>(46 900 934)</b>	<b>563 264 %</b>	<b>563 264 %</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	45 277 000	-	45 277 000	-		45 277 000	48 744 710		3 467 710	108 %	108 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>45 280 000</b>	<b>-</b>	<b>45 280 000</b>	<b>-</b>		<b>45 280 000</b>	<b>1 846 776</b>		<b>(43 433 224)</b>	<b>4 %</b>	<b>4 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>45 280 000</b>	<b>-</b>	<b>45 280 000</b>	<b>-</b>		<b>45 280 000</b>	<b>1 846 776</b>		<b>(43 433 224)</b>	<b>4 %</b>	<b>4 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	46 827 000	-	46 827 000	-		46 827 000	50 031 868		3 204 868	107 %	107 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	45 277 000	-	45 277 000	-		45 277 000	42 446 831		(2 830 169)	94 %	94 %
Internally generated funds	1 550 000	-	1 550 000	-		1 550 000	8 334 255		6 784 255	538 %	538 %
<b>Total sources of capital funds</b>	<b>46 827 000</b>	<b>-</b>	<b>46 827 000</b>	<b>-</b>		<b>46 827 000</b>	<b>50 781 086</b>		<b>3 954 086</b>	<b>108 %</b>	<b>108 %</b>

## Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

### Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	46 875 692	-	46 875 692	-		46 875 692	56 893 086		10 017 394	121 %	121 %
Net cash from (used) investing	(45 277 000)	-	(45 277 000)	-		(45 277 000)	(49 895 738)		(4 618 738)	110 %	110 %
Net cash from (used) financing	-	-	-	-		-	(1 293 107)		(1 293 107)	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1 598 692</b>	<b>-</b>	<b>1 598 692</b>	<b>-</b>		<b>1 598 692</b>	<b>5 704 241</b>		<b>4 105 549</b>	<b>357 %</b>	<b>357 %</b>
Cash and cash equivalents at the beginning of the year	1 627	-	1 627	-		1 627	(1 245 284)		(1 246 911)	(76 539)%	(76 539)%
<b>Cash and cash equivalents at year end</b>	<b>1 600 319</b>	<b>-</b>	<b>1 600 319</b>	<b>-</b>		<b>1 600 319</b>	<b>4 458 957</b>		<b>(2 858 638)</b>	<b>279 %</b>	<b>279 %</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2013</b>				
<b>Financial Performance</b>				
Property rates				7 482 667
Service charges				22 592 369
Investment revenue				672 013
Transfers recognised - operational				59 448 849
Other own revenue				4 755 435
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>94 951 333</b>
Employee costs	-	-	-	(44 482 107)
Remuneration of councillors	-	-	-	(4 447 485)
Debt impairment	-	-	-	(16 929 193)
Depreciation and asset impairment	-	-	-	(26 378 116)
Finance charges	-	-	-	(2 027 332)
Materials and bulk purchases	-	-	-	(17 601 563)
Other expenditure	-	-	-	(38 187 236)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(150 053 032)</b>
<b>Surplus/(Deficit)</b>				<b>(55 101 699)</b>
Transfers recognised - capital				60 474 470
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>5 372 771</b>
<b>Surplus/(Deficit) for the year</b>				<b>5 372 771</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				60 428 373

## Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

### Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Cash flows</b>				
Net cash from (used) operating				54 134 736
Net cash from (used) investing				(64 550 742)
Net cash from (used) financing				2 599 568
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>(7 816 438)</b>
Cash and cash equivalents at the beginning of the year				6 571 154
<b>Cash and cash equivalents at year end</b>				<b>(1 245 284)</b>



# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

##### Impairment testing

The recoverable amounts of (service) cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the historical outcomes indicate future outcomes assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including level of risk, location, arrangements, supply demand, together with economic factors such as inflation and interest.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

##### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for the property plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.1 Significant judgements and sources of estimation uncertainty (continued)

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.2 Investment property (continued)

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Buildings	15 - 50 Years
Furniture and fixtures	5 - 10 years
Motor Vehicles	5 years
Office Equipment	5 years
IT Equipment	3 years
Infrastructure	-
- Electricity	15 - 50 years
- Roads	30 years
- Water	20 years
- Sewerage	12 - 50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.3 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.3 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

### 1.4 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.4 Heritage assets (continued)

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.5 Tax

### 1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.6 Inventories (continued)

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.7 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.7 Impairment of cash-generating assets (continued)

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.7 Impairment of cash-generating assets (continued)

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.



# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.7 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.8 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.8 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:  
[Specify criteria]

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.8 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.9 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.10 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.11 Revenue from non-exchange transactions

### 1.12 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.13 Borrowing costs

### 1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.18 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### 1.19 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.20 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

## Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

---

Figures in Rand

2014

2013

---



# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
• GRAP 12 (as revised 2012): Inventories	01 April 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
• GRAP 13 (as revised 2012): Leases	01 April 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
• IGRAP16: Intangible assets website costs	01 April 2013	The standard does not have a material impact on the municipality's Annual Financial Statements

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

---

### 2. New standards and interpretations (continued)

- IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue 01 April 2013

The standard does not have a material impact on the municipality's Annual Financial Statements

## Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 3. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	22 760 135	(3 369 691)	19 390 444	22 760 135	(2 785 476)	19 974 659

#### Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	19 974 659	(584 215)	19 390 444

#### Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	22 760 135	(2 785 476)	19 974 659

#### Pledged as security

Carrying value of assets pledged as security

No Investment Property assets were pledged as security

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand

2014

2013

### 4. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	12 368 363	-	12 368 363	12 368 363	-	12 368 363
Buildings	63 525 116	(14 571 924)	48 953 192	62 845 112	(14 568 141)	48 276 971
Plant and machinery	9 462 711	(7 415 953)	2 046 758	7 376 866	(4 443 286)	2 933 580
Furniture and fixtures	3 648 441	(2 135 431)	1 513 010	3 558 886	(2 020 759)	1 538 127
Motor vehicles	6 596 599	(4 827 715)	1 768 884	6 943 787	(4 045 185)	2 898 602
IT equipment	2 400 492	(1 635 631)	764 861	2 253 712	(1 202 500)	1 051 212
Infrastructure	179 243 173	(39 228 126)	140 015 047	172 950 137	(32 971 134)	139 979 003
Community	21 914 779	(78 016)	21 836 763	18 664 466	(78 016)	18 586 450
Landfill Sites	26 492 766	(9 812 136)	16 680 630	26 492 766	(8 176 780)	18 315 986
Electricity Network	6 472 750	(1 400 619)	5 072 131	6 344 732	(1 172 519)	5 172 213
Sewerage Network	76 009 069	(14 188 458)	61 820 611	66 137 009	(11 563 968)	54 573 041
Leased IT Equipment	85 657	(69 031)	16 626	85 657	(54 512)	31 145
Leased IT Furniture	1 782 511	(1 047 117)	735 394	1 782 511	(791 597)	990 914
Water network	180 319 997	(33 997 822)	146 322 175	155 916 255	(28 343 919)	127 572 336
Work in Progress	47 648 069	-	47 648 069	90 331 995	-	90 331 995
<b>Total</b>	<b>637 970 493</b>	<b>(130 407 979)</b>	<b>507 562 514</b>	<b>634 052 254</b>	<b>(109 432 316)</b>	<b>524 619 938</b>

### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	12 368 363	-	-	-	-	12 368 363
Buildings	48 276 971	676 221	-	-	-	48 953 192
Plant and machinery	2 933 580	64 067	-	115 698	(1 066 587)	2 046 758
Furniture and fixtures	1 538 127	5 699	-	441 140	(471 956)	1 513 010
Motor vehicles	2 898 602	-	-	-	(1 129 718)	1 768 884
IT equipment	1 051 212	90 553	-	109 238	(486 142)	764 861
Roads Infrastructure	139 979 003	-	6 293 036	-	(6 256 992)	140 015 047
Community	18 586 450	3 250 313	-	-	-	21 836 763
Landfil site	18 315 986	-	-	-	(1 635 356)	16 680 630
Electricity network	5 172 213	116 721	-	-	(216 803)	5 072 131
Sewerage network	54 573 041	-	9 872 061	-	(2 624 491)	61 820 611
Leased IT Equipment	31 145	-	-	-	(14 519)	16 626
Leased IT furniture	990 914	-	-	-	(255 520)	735 394
Water network	127 572 336	24 403 742	-	-	(5 653 903)	146 322 175
Work in Progress	90 331 995	21 331 505	-	-	-	111 663 500
	<b>524 619 938</b>	<b>49 938 821</b>	<b>16 165 097</b>	<b>666 076</b>	<b>(19 811 987)</b>	<b>571 577 945</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	18 126 363	-	-	(5 758 000)	-	-	12 368 363
Buildings	51 469 142	-	(347 000)	69 214	(2 914 385)	-	48 276 971
Plant and machinery	1 635 380	2 109 399	(68 147)	-	(743 052)	-	2 933 580
Furniture and fixtures	1 529 123	420 008	(7 709)	-	(401 948)	(1 347)	1 538 123
Motor vehicles	2 258 706	1 366 261	(181 759)	-	(544 606)	-	2 898 602
IT equipment	841 465	683 858	(17 070)	-	(457 041)	-	1 051 212
Roads Infrastructure	145 933 631	667 097	-	-	(6 621 725)	-	139 979 003
Community	18 664 466	-	-	-	(78 016)	-	18 586 450
Landfil Site	19 951 342	-	-	-	(1 635 356)	-	18 315 986
Electricity network	3 852 447	1 557 090	-	-	(237 324)	-	5 172 213
Sewerage network	56 885 835	-	-	-	(2 312 794)	-	54 573 041
Leased It Equipment	41 187	-	-	-	(10 042)	-	31 145
Leased IT Furniture	1 211 051	-	-	-	(220 137)	-	990 914
Water network	133 273 397	-	-	-	(5 701 061)	-	127 572 336
Work in Progress	32 170 385	58 161 610	-	-	-	-	90 331 995
	<b>487 843 920</b>	<b>64 965 323</b>	<b>(621 685)</b>	<b>(5 688 786)</b>	<b>(21 877 487)</b>	<b>(1 347)</b>	<b>524 619 930</b>

#### Pledged as security

Carrying value of assets pledged as security:

None of the assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Assets subject to finance lease (Net carrying amount)

IT Equipment	16 626	31 145
Furniture and Fixtures	735 394	990 914
	<b>752 020</b>	<b>1 022 059</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets 1	149 070	(101 376)	47 694	149 070	(101 376)	47 694

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 5. Intangible assets (continued)

#### Reconciliation of intangible assets - 2014

	Opening balance	Total
Intangible assets 1	47 694	47 694

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Intangible assets 1	103 599	1 699	(57 604)	47 694

#### Pledged as security

Carrying value of intangible assets pledged as security:

None of the assets have been pledged as security

### 6. Other financial assets

#### Designated at fair value

Unlisted Shares	490 901	533 984
-----------------	---------	---------

#### Non-current assets

Designated at fair value	490 901	533 984
--------------------------	---------	---------

#### Financial assets at fair value

##### Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

#### Level 2

VKB Agricultural Limited	495 365	538 984
--------------------------	---------	---------

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 7. Employee benefit obligations

#### Defined benefit plan

It is the policy of the municipality to provide retirement benefits to all its employees who elect to participate in the different available schemes. A number of defined contribution provident funds, all of which are subject to Pensions Fund Act, exist for this purpose. The majority of employees belong to three different benefit retirement funds. One fund is administered by the Provincial Pension Fund. The last actuarial valuation was dated 30 June 2014.

#### Post retirement medical aid plan

The municipality contributes on a monthly basis to the following medical aid scheme.

KeyHealth  
LA Health  
Bonitas  
Hosmed  
Fed Health  
Samwumed

#### Membership data

The number of employees entitled to receive post-employment medical scheme subsidy are:  
Current Employees

		Male	Female
Total	Number of active employees	43	29
72	Average Age	40.6	41.0
40.8	Average past service	9.8	10.0
9.9	Number of spouses	9	8
17	Average monthly subsidy	R1,040	R1,150
R1,090	Continuation Members		

The table below provides a summary of details for continuation members.

Male	Female	Total	Number of continuation members
3	7	10	Average Age
	82.7	76.0	78.1
	R2, 260	R2, 120	Average Monthly Subsidy
			R2, 160

#### Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

#### Post-employment Medical Aid Liabilities

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Valuation of AssetsThe municipality contributes on a monthly basis to the following medical aid scheme.

KeyHealth  
LA Health  
Bonitas  
Hosmed  
Fed Health  
Samwumed

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 7. Employee benefit obligations (continued)

#### Membership data

The number of employees entitled to receive post-employment medical scheme subsidy are:

##### Current Employees

	Male	Female	Total
Number of active employees	43	29	72
Average Age	40.6	41.0	40.8
Average past service	9.8	10.0	9.9
Number of spouses	9	8	17
Average monthly subsidy	R1,040	R1,150	R1,090

##### Continuation Members

The table below provides a summary of details for continuation members.

	Male	Female	Total
Number of continuation members	3	7	10
Average Age	82.7	76.0	78.1
Average Monthly Subsidy	R2, 260	R2, 120	R2, 160

#### Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

#### Post-employment Medical Aid Liabilities

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

#### Valuation of Assets

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

#### The amounts recognised in the statement of financial position are as follows:

##### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(6 332 000)	(6 360 000)
Present value of the long term service award	(3 334 000)	(1 837 000)
	<b>(9 666 000)</b>	<b>(8 197 000)</b>

[Provide a brief description of the link between the reimbursement right(s) and the related obligation]

The fair value of plan assets includes:

#### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(6 360 000)	(2 040 000)
Benefits paid	260 000	252 000
Net expense recognised in the statement of financial performance	(232 000)	(4 572 000)
	<b>(6 332 000)</b>	<b>(6 360 000)</b>



## Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>7. Employee benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	(324 000)	-
Interest cost	(505 000)	(159 000)
Actuarial (gains) losses	597 000	(4 413 000)
	<b>(232 000)</b>	<b>(4 572 000)</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 7. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,94 %	7,89 %
Consumer Inflation Rate	7,05 %	6,14 %
Medical Aid Contribution Inflation	8,05 %	7,14 %
Net Effective Rate	0,82 %	0,70 %

The discount rate was set as the yield of the R209 South African government bond as at the valuation date

#### Medical Aid Inflation

The medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate inflation. The Municipality have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional government bond yields (R209) and current index-linked bond yields (R202)

#### Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

#### Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

#### Spouses and Dependants

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases:

#### Withdrawal

#### Sensitivity Analysis

The following assumptions:

A 20% increase/decrease in the assumed level of mortality;

A 1% increase/decrease in the Medical Aid inflation.

#### Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% mortality rate	Valuation Assumption	+20% Mortality Rate
Total Accrued Liability	6,975,000	6,332,000	5,813,000
Interest Cost	624,000	566,000	518,000
Service Cost	291,000	266,000	245,000

#### Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 7. Employee benefit obligations (continued)

We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

	-1% Medical Inflation rate	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	5,816,000	6,332,000	6,782,000
Interest Cost	518,000	566,000	607,000
Service Cost	240,000	266,000	287,000

### 8. Inventories

Consumable stores	577 683	664 570
Water	34 638	28 442
Unsold Properties Held for Resale	12 107 800	12 107 800
	<b>12 720 121</b>	<b>12 800 812</b>

### 9. Receivables from exchange transactions

Trade debtors	1 660 134	1 305 650
Deposits	35 163	37 566
	<b>1 695 297</b>	<b>1 343 216</b>

#### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

### 10. Receivables from non-exchange transactions

Other taxes	335 547	3 918 121
-------------	---------	-----------

#### Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

### 11. VAT receivable

VAT	3 679 010	1 153 217
-----	-----------	-----------

### 12. Consumer debtors

#### Gross balances

Electricity	4 238 731	3 514 163
Water	26 623 052	21 642 489
Sewerage	30 181 221	23 704 457
Refuse	32 213 356	25 592 268
Business service levies	2 596 970	2 246 458
	<b>95 853 330</b>	<b>76 699 835</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>12. Consumer debtors (continued)</b>		
<b>Less: Allowance for impairment</b>		
Electricity	(3 047 366)	(3 245 918)
Water	(25 956 182)	(21 431 957)
Sewerage	(29 742 862)	(23 390 724)
Refuse	(32 122 224)	(25 363 080)
Business service levies	(2 567 385)	(2 077 880)
	<b>(93 436 019)</b>	<b>(75 509 559)</b>
<b>Net balance</b>		
Electricity	1 191 365	268 245
Water	666 870	210 532
Sewerage	438 359	313 733
Refuse	91 132	229 188
Business service levies	2 290 882	168 578
	<b>4 678 608</b>	<b>1 190 276</b>
<b>Electricity</b>		
Current (0 -30 days)	366 557	24 810
31 - 60 days	376 677	111 173
61 - 90 days	246 309	72 696
91 - 120 days	201 822	59 566
	<b>1 191 365</b>	<b>268 245</b>
<b>Water</b>		
Current (0 -30 days)	139 636	(42 207)
31 - 60 days	40 492	19 421
61 - 90 days	41 502	19 890
91 - 120 days	47 256	22 645
121 - 365 days	397 984	190 783
	<b>666 870</b>	<b>210 532</b>
<b>Sewerage</b>		
Current (0 -30 days)	132 092	94 538
31 - 60 days	46 327	33 156
61 - 90 days	29 290	20 963
91 - 120 days	23 373	16 728
121 - 365 days	207 277	148 348
	<b>438 359</b>	<b>313 733</b>
<b>Refuse</b>		
Current (0 -30 days)	(2 087)	(5 248)
31 - 60 days	10 672	26 838
61 - 90 days	6 627	16 665
91 - 120 days	5 262	13 234
121 - 365 days	70 658	177 699
	<b>91 132</b>	<b>229 188</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>12. Consumer debtors (continued)</b>		
<b>Business service levies</b>		
Current (0 -30 days)	1 993 286	146 679
31 - 60 days	2 113 987	155 561
61 - 90 days	1 366 663	100 568
91 - 120 days	1 541 627	113 443
121 - 365 days	(4 724 681)	(347 673)
	<b>2 290 882</b>	<b>168 578</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(75 509 559)	(59 580 631)
Contributions to allowance	(18 545 315)	(16 618 192)
Debt impairment written off against allowance	2 880 152	689 264
	<b>(91 174 722)</b>	<b>(75 509 559)</b>

### Consumer debtors pledged as security

None of the consumers receivables were pledged as security.

### Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	64 129	20 048
Bank balances	1 485 338	-
Short-term deposits	2 909 490	687 723
Bank overdraft	-	(1 953 055)
	<b>4 458 957</b>	<b>(1 245 284)</b>
Current assets	4 458 957	707 771
Current liabilities	-	(1 953 055)
	<b>4 458 957</b>	<b>(1 245 284)</b>

### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
Absa Bank - Current Account	1 635 392	878 150	1 349 663	1 485 338	(1 953 055)	1 349 663
Absa Bank - Grants Call Account	2 844 307	577 675	11 000	2 844 307	577 675	11 000
Absa Bank - Call Account	9 008	4 661	17 303	9 008	4 661	17 303
Absa Bank - Medium Term Deposit	-	-	4 241 449	-	-	4 241 449
First National Bank - 7 Day Interest Plus	4 481	4 481	509 159	4 481	4 481	509 159
First National Bank - Current Account	51 694	100 906	374 083	51 694	100 906	374 083
<b>Total</b>	<b>4 544 882</b>	<b>1 565 873</b>	<b>6 502 657</b>	<b>4 394 828</b>	<b>(1 265 332)</b>	<b>6 502 657</b>

### 14. Finance lease obligation

<b>Minimum lease payments due</b>		
- within one year	442 337	529 364
- in second to fifth year inclusive	250 919	837 313
	693 256	1 366 677
less: future finance charges	-	(143 190)
<b>Present value of minimum lease payments</b>	<b>693 256</b>	<b>1 223 487</b>
<b>Present value of minimum lease payments due</b>		
- within one year	442 337	442 337
- in second to fifth year inclusive	250 919	781 150
	<b>693 256</b>	<b>1 223 487</b>
Non-current liabilities	250 919	781 150
Current liabilities	442 337	442 337
	<b>693 256</b>	<b>1 223 487</b>

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% (2013: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Integrated National Electrification Programme Grant	-	593 485
Municipal Systems Improvement Grant	467 203	-
Expanded Public Works Programme Grant	364 813	-
DWA - Accelerated Community Infrastructure Programme Grant	2 411 573	-
COGTA - Water Treatment Plant Warden	313 220	313 220
	<b>3 556 809</b>	<b>906 705</b>

#### Movement during the year

Balance at the beginning of the year	906 705	1 834 296
Additions during the year	110 684 798	118 995 399
Income recognition during the year	(108 034 694)	(119 922 990)
	<b>3 556 809</b>	<b>906 705</b>

See note 24 for reconciliation of grants from National/Provincial Government.

### 16. Other financial liabilities

#### At amortised cost

ABSA term loan	2 536 233	3 136 149
5 year loan, interest rate 10.60%, final payment date 31 October 2017		
DBSA Loan - 11193	917 750	1 012 948
20 year loan, interest rate 17%, redemption date 30 September 2019		
DBSA Loan - 10349	177 177	223 756
20 years loan, Interest ate 12%, redemption date 31 March 2017		
DBSA Loan - 12325	44 276	47 025
30 years loan, interest rate 12.60%, redemption date 31 December 2015		
DBSA Loan - 12324	24 175	86 251
30 years loan, Interest rate13.45%, redemption date 31 December 2015		
	<b>3 699 611</b>	<b>4 506 129</b>

<b>Total other financial liabilities</b>	<b>3 699 611</b>	<b>4 506 129</b>
--	------------------	------------------

#### Non-current liabilities

At amortised cost	2 848 532	3 774 894
-------------------	-----------	-----------

#### Current liabilities

At amortised cost	851 079	731 235
-------------------	---------	---------

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 17. Provisions

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	7 115 134	567 322	7 682 456

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	6 494 619	620 515	7 115 134

There are three existing waste disposal sites, one in each town of Vrede, Memel and Warden. The waste disposal sites have to be closed due to them being unsuitable sites for waste disposal. A provision has been recognised to account for the closure cost estimate for both landfill sites.

The lifespan of the sites and the estimated closing dates are as follows:

Vrede - life span of 12 years, estimated closing date is 2014

Memel - life span of 8 years, estimated closing date is 2015

Warden - estimated closing date 2015

### 18. Payables from exchange transactions

Trade payables	70 568 618	40 528 373
Payments received in advanced - contract in process	-	965 734
Unallocated Receipts and Deposits	19 300 160	12 611 878
Accrued leave pay	3 017 442	4 214 682
Accrued Salary Expense	46 085	45 340
Deposits received	1 521 244	1 505 302
	<b>94 453 549</b>	<b>59 871 309</b>

### 19. Consumer deposits

Water	231 326	232 220
-------	---------	---------

### 20. Financial instruments disclosure

#### Categories of financial instruments

#### 2014

#### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	493 365	-	493 365
Trade and other receivables from exchange transactions	-	1 349 860	1 349 860
Other receivables from non-exchange transactions	-	4 581 899	4 581 899
Consumer debtors	-	20 876 165	20 876 165
Cash and cash equivalents	4 458 957	-	4 458 957
VAT Receivable	2 954 677	-	2 954 677
	<b>7 906 999</b>	<b>26 807 924</b>	<b>34 714 923</b>

#### Financial liabilities



# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand 2014 2013

### Financial instruments disclosure (continued)

	At amortised cost	At cost	Total
Other financial liabilities	3 699 611	-	3 699 611
Trade and other payables from exchange transactions	120 048 663	-	120 048 663
Finance Lease Obligation	693 256	-	693 256
Consumer deposits	-	231 326	231 326
	<b>124 441 530</b>	<b>231 326</b>	<b>124 672 856</b>

### 2013

#### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	538 984	-	538 984
Trade and other receivables from exchange transactions	-	1 343 216	1 343 216
Other receivables from non-exchange transactions	-	3 918 121	3 918 121
Consumer debtors	-	1 190 276	1 190 276
Cash and cash equivalents	707 771	-	707 771
VAT Receivable	1 153 217	-	1 153 217
	<b>2 399 972</b>	<b>6 451 613</b>	<b>8 851 585</b>

#### Financial liabilities

	At fair value	At amortised cost	At cost	Total
Other financial liabilities	-	4 506 129	-	4 506 129
Trade and other payables from exchange transactions	-	59 871 310	-	59 871 310
Finance Lease Obligation	-	1 223 487	-	1 223 487
Bank overdraft	1 953 055	-	-	1 953 055
Consumer Deposits	-	-	232 222	232 222
	<b>1 953 055</b>	<b>65 600 926</b>	<b>232 222</b>	<b>67 786 203</b>

### 21. Revenue

Rendering of services	717 510	489 675
Service charges	26 655 865	22 592 369
Interest received (trading)	6 506 525	3 539 175
Licences and permits	16 995	16 977
Other income	989 631	601 958
Interest received - investment	545 847	672 013
Property rates	7 799 030	7 482 667
Government grants & subsidies	108 034 694	119 923 319
Fines	64 404	107 650
	<b>151 330 501</b>	<b>155 425 803</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	26 655 865	22 592 369
Rendering of services	717 510	489 675
Interest received (trading)	6 506 525	3 539 175
Licences and permits	16 995	16 977
Rental of Facilities and Equipment	989 631	601 958
Interest received - investment	545 847	672 013
	<b>35 432 373</b>	<b>27 912 167</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>21. Revenue (continued)</b>		
The amount included in revenue arising from non-exchange transactions is as follows:		
<b>Taxation revenue</b>		
Property rates	7 799 030	7 482 667
<b>Transfer revenue</b>		
Government grants & subsidies	108 034 694	119 923 319
Fines	64 404	107 650
	<b>115 898 128</b>	<b>127 513 636</b>
<b>22. Property rates</b>		
<b>Rates received</b>		
Residential	2 886 825	2 865 481
Small holdings and farms	4 912 205	4 617 186
	<b>7 799 030</b>	<b>7 482 667</b>
<b>23. Service charges</b>		
Sale of electricity	7 062 392	6 797 406
Sale of water	5 692 286	4 165 825
Solid waste	6 869 139	5 986 906
Sewerage and sanitation charges	7 032 048	5 642 232
	<b>26 655 865</b>	<b>22 592 369</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>24. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	56 312 000	56 039 000
Financial Management Grant	1 650 000	1 500 000
Municipal Systems Improvement Grant	422 797	800 328
COGTA - Provincial Infrastructure Grant	-	506 674
COGTA - Social Development Grant	-	602 847
Thabo Mofutsanyana Grant	270 000	-
Expanded Public Works Programme Grant	635 187	-
	<b>59 289 984</b>	<b>59 448 849</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	25 277 000	26 624 000
Integrated National Electrification Grant	593 485	2 818 071
Regional Bulk Infrastructure Grant	22 874 225	31 032 399
	<b>48 744 710</b>	<b>60 474 470</b>
	<b>108 034 694</b>	<b>119 923 319</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	51 129 209	62 774 798
Unconditional grants received	56 312 000	57 148 521
	<b>107 441 209</b>	<b>119 923 319</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Municipal Infrastructure Grant

Current-year receipts	25 277 000	26 624 000
Conditions met - transferred to revenue	(25 277 000)	(26 624 000)
	-	-

To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

### Financial Management Grant

Current-year receipts	1 650 000	1 500 000
Conditions met - transferred to revenue	(1 650 000)	(1 500 000)
	-	-

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

### Integrated National Electrification Grant

Balance unspent at beginning of year	593 485	593 485
Conditions met - transferred to revenue	(593 485)	-
	-	<b>593 485</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>24. Government grants and subsidies (continued)</b>		
<b>Municipal Systems Improvement Grant</b>		
Current-year receipts	890 000	-
Conditions met - transferred to revenue	(422 797)	-
	<b>467 203</b>	-
Conditions still to be met - remain liabilities (see note 15).		
To assist municipalities to perform their functions and stabilize institutional and governance systems as required in the Municipal Systems Act and related legislation.		
<b>COGTA - Social Development Grant</b>		
Current-year receipts	-	602 847
Conditions met - transferred to revenue	-	(602 847)
	-	-
To enhance social development in the area.		
<b>Expanded Public Works Programme Grant</b>		
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(635 187)	-
	<b>364 813</b>	-
Conditions still to be met - remain liabilities (see note 15).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Accelerated Community Infrastructure Grant</b>		
Current-year receipts	2 411 573	-
Conditions still to be met - remain liabilities (see note 15).		
Acceleration of the bucket eradication programmes in municipalities.		
<b>COGTA - Provincial Infrastructure Grant</b>		
Balance unspent at beginning of year	313 220	313 220
Conditions still to be met - remain liabilities (see note 15).		
To facilitate turnaround in the budgets for education, health & roads infrastructure.		
<b>25. Public contributions and donations</b>		
Conditions still to be met - remain liabilities (see note 15)		
Provide explanations of conditions still to be met and other relevant information		
<b>26. Other revenue</b>		
Rental of Facilities	989 631	601 958

## Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>27. General expenses</b>		
Advertising	157 294	212 510
Auditors remuneration	3 028 544	1 561 342
Bank charges	248 369	325 714
Consulting and professional fees	3 813 415	4 197 606
Consumables	330 633	369 620
Entertainment	13 037	43 492
Flowers	111	350
Gifts	29 768	24 254
Hire	862 448	1 106 141
Insurance	645 269	537 989
Community development and training	378 812	390 468
Conferences and seminars	210 525	78 949
Lease rentals on operating lease	1 025 332	678 774
Magazines, books and periodicals	472 093	-
Motor vehicle expenses	24 275	-
Fuel and oil	1 084 380	1 326 613
Postage and courier	57 034	101 450
Printing and stationery	840 818	735 294
Protective clothing	124 548	212 999
Royalties and license fees	5 000	9 920
Subscriptions and membership fees	-	647 974
Telephone and fax	1 710 417	1 850 819
Training	44 608	244 809
Travel - local	2 684 997	3 042 342
Refuse	71 200	269 593
Title deed search fees	1 928	-
Operational Grants Expenditure	2 018 084	2 286 939
Chemicals	1 495 372	1 284 354
Other expenses	19 812	39 130
	<b>21 398 123</b>	<b>21 579 445</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 28. Employee related costs

Basic	25 883 288	23 203 903
Medical aid - company contributions	1 437 396	5 133 787
UIF	327 862	284 120
SDL	386 977	312 345
Other payroll levies	48 977	26 637
Leave pay provision charge	(927 931)	1 468 691
Defined contribution plans	4 619 620	3 712 524
Overtime payments	2 651 024	1 775 512
Long-service awards	1 696 649	777 820
13th Cheques	2 207 870	1 867 640
Acting allowances	438 552	208 673
Car allowance	2 036 491	996 063
Housing benefits and allowances	16 318	34 500
Occupational Allowance	318 662	228 238
Standby Allowance	246 259	206 101
	<b>41 388 014</b>	<b>40 236 554</b>

### Remuneration of municipal manager - BW Kannemeyer

Annual Remuneration	811 783	-
Car Allowance	431 380	-
Contributions to UIF, Medical and Pension Funds	13 430	-
Other	130 394	-
	<b>1 386 987</b>	<b>-</b>

Appointed 01 July 2014.

### Remuneration of Former Chief Financial Officer - TM Moremi

Annual Remuneration	304 525	611 432
Car Allowance	193 938	378 481
Contributions to UIF, Medical and Pension Funds	71 870	145 355
Other	243 622	302 245
	<b>813 955</b>	<b>1 437 513</b>

Chief Financial Officer - January 2011 - April 2012

Municipal Manager - May 2012 - June 2013

Chief Financial Officer - July 2013 - June 2014

### Remuneration of Chief Financial Officer - SA Nyapholi

Annual Remuneration	582 565	372 962
Car Allowance	132 150	126 724
13th Cheque	48 285	21 298
Contributions to UIF, Medical and Pension Funds	115 424	111 183
Other	239 213	268 176
	<b>1 117 637</b>	<b>900 343</b>

Supply Chain Manager - May 2012 - December 2012

Financial Manager - January 2013 - May 2014

Chief Financial Officer - June 2014

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 28. Employee related costs (continued)

#### Remuneration of Former Director Corporate Services - LJ Ralebenya

Annual Remuneration	-	77 101
Car Allowance	-	53 549
Contributions to UIF, Medical and Pension Funds	-	2 160
Other	-	119 638
	-	<b>252 448</b>

The employment Contract ended in September 2012

#### Remuneration of The Director - Corporate Services - NF Malatjie

Annual Remuneration	571 569	-
Car Allowance	337 136	-
Contributions to UIF, Medical and Pension Funds	80 075	-
Other	101 508	-
	<b>1 090 288</b>	-

#### Remuneration of Former Director Technical Services - LH Mthembu

Annual Remuneration	-	375 904
Car Allowance	-	166 907
Contributions to UIF, Medical and Pension Funds	-	7 357
Other	-	149 656
	-	<b>699 824</b>

The employment contract ended in February 2013.

Appointed Unit Manager in March 2013.

#### Remuneration of The Director Technical Services - NB Thobela

Annual Remuneration	572 592	326 031
Car Allowance	314 708	176 400
Contributions to UIF, Medical and Pension Funds	53 482	6 725
Other	299 133	446 269
	<b>1 239 915</b>	<b>955 425</b>

Project Management Unit Manager until June 2013.

Acting Director - Technical Services - March 2013 - June 2013

Appointed Director Technical Services - 01 July 2013

### 29. Remuneration of councillors

Mayor	535 454	543 281
Speaker	496 325	565 249
Councillors	3 516 907	3 338 955
	<b>4 548 686</b>	<b>4 447 485</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>29. Remuneration of councillors (continued)</b>		
<b>In-kind benefits</b>		
The Mayor, and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has the use of separate Council owned vehicles for official duties.		
The Mayor has one full-time bodyguard .		
<b>30. Debt impairment</b>		
Contributions to debt impairment provision	21 783 711	16 929 193
<b>31. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	545 847	672 013
<b>32. Depreciation and amortisation</b>		
Property, plant and equipment	19 811 988	25 762 070
Investment property	584 215	557 095
Intangible assets	-	57 604
	<b>20 396 203</b>	<b>26 376 769</b>
<b>33. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	-	1 347
<b>34. Finance costs</b>		
Non-current borrowings	-	217 927
Trade and other payables	2 772 351	789 714
Fair value adjustments: Notional interest	-	159 000
Fair value adjustments on payables	-	620 515
ABSA Term Loan	-	240 176
	<b>2 772 351</b>	<b>2 027 332</b>
<b>35. Auditors' remuneration</b>		
Fees	3 028 544	1 561 342
<b>36. Contracted services</b>		
Information Technology Services	-	521 048
Fleet Services	64 171	145 273
Specialist Services	1 316 061	4 166
Other Contractors	4 275 079	3 307 438
	<b>5 655 311</b>	<b>3 977 925</b>



# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>37. Bulk purchases</b>		
Electricity	16 976 242	14 716 467
Water	867 608	2 885 096
	<b>17 843 850</b>	<b>17 601 563</b>
<b>38. Cash generated from operations</b>		
Surplus	1 846 776	5 372 771
<b>Adjustments for:</b>		
Depreciation and amortisation	20 396 203	26 376 769
Impairment deficit	-	1 347
Debt impairment	21 783 711	16 929 193
Movements in operating lease assets and accruals	-	659 921
Movements in retirement benefit assets and liabilities	1 469 000	4 779 000
Movements in provisions	567 322	620 515
Other non-cash items	(1 914 719)	(287 141)
<b>Changes in working capital:</b>		
Inventories	80 691	191 104
Receivables from exchange transactions	(352 081)	(12 378)
Consumer debtors	(25 272 043)	(17 692 226)
Other receivables from non-exchange transactions	3 582 574	(1 345 694)
Payables from exchange transactions	34 582 235	18 627 628
VAT	(2 525 793)	846 118
Unspent conditional grants and receipts	2 650 104	(927 591)
Consumer deposits	(894)	(4 600)
	<b>56 893 086</b>	<b>54 134 736</b>
<b>39. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	2 643 795	9 427 145
This committed expenditure relates to Property plant and equipment and will be financed by conditional grants from the National Treasury.		
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments due</b>		
- within one year	1 444 169	1 317 218
- in second to fifth year inclusive	1 260	1 200
	<b>1 445 429</b>	<b>1 318 418</b>

Certain of the municipality's properties are held to generate rental income. Rental of equipment is expected to generate rental yields of 10% on an ongoing basis. Lease agreements are non-cancellable and have an average of 2 years. There are no contingent rents receivable.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 40. Contingencies

Litigation is in process against the municipality relating to services rendered by a service provider of the municipality. The claim being made by the plaintiff amounts to R2,932,109, and the estimated legal costs amounts to R90 000. The possibility of the municipality incurring a liability on this litigation is 20 percent. There is no possibility of any reimbursements.

The municipality has three dumping sites which are not registered under the National Environmental Management Waste Act No. 59 of 2008.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable / payable for employees wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable / payable prior to the outcome of the pending litigation.

### 41. Related parties

#### Relationships

Close family member of a finance personnel  
Councillor with significant influence

Marlise Houman  
TN Masiteng

#### Related party transactions

#### Purchases from related parties

Mantsa Tlala cc	2 400	-
Iphumule Dikeledi Funeral Services	-	310 000

### 42. Prior period errors

During the previous financial years errors were identified on the assets register compiled that had to comply with GRAP 17 assets register to be effective and implemented during 2010/11 when the provisional period expired. The correction of material errors below is to the best of management knowledge as identified to address previous omission or errors within the final asset registers in the current financial year.

The correction of the error(s) results in adjustments as follows:

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>42. Prior period errors (continued)</b>		
<b>Statement of financial position - 2011/12</b>		
Decrease in land cost	-	(5 758 000)
Decrease in accumulating depreciation - Buildings	-	3 783
Decrease in landfill site cost	-	(23 560 750)
Decrease in accumulating depreciation - landfill site	-	16 091 089
Increase in accumulating depreciation - Roads	-	(4 108 571)
Decrease in cost - Roads	-	(2 025 281)
Decrease in accumulating depreciation - Water	-	3 985 079
Decrease in Cost of water	-	(1 555 219)
Increase in Cost of Electricity	-	396
	-	<b>(16 927 474)</b>
<b>Statement of Financial Performance - 2012/13</b>		
Decrease in depreciation	-	15 971 379
<b>Effect on Accumulated Surplus/(Deficit)</b>		
Increase in accumulated surplus/(deficit)	-	16 927 474
<b>Statement of financial position - 2012/13</b>		
Decrease in Accumulated Depreciation - Landfill Sites	-	4 092 648
Increase in Accumulated Depreciation - Roads	-	(5 169 814)
Decrease in Accumulated Depreciation - Water	-	978 137
Increase in Historical Cost - Buildings	-	69 650
Decrease in Accumulated Depreciation - Electricity	-	11 297
Decrease in Accumulated Depreciation - Sewerage	-	670
Decrease in Accumulated Depreciation - Motor Vehicles	-	70 141
Increase in Accumulated Depreciation - Furniture & Fitting	-	(357 284)
Decrease in movable assets	-	274 684
	-	<b>(29 871)</b>
<b>Statement of Financial Performance - 2012/13</b>		
Increase in Depreciation	-	374 204
<b>Effect on Accumulated surplus/(Deficit)</b>		
Decrease in accumulated surplus/(deficit)	-	(648 888)

## 43. Comparative figures

Certain comparative figures have been reclassified.

An amount of R 2, 286 939 was classified as Grants and subsidies paid in the prior year's financial statements, and was reclassified as operational grants expenditure for the purpose of the current financial statements. The reclassification was performed to result in a more understandable meaning of the amount used.

Property, plant and equipment and Investment property comparative figures have been adjusted, the assets of the municipality have been revalued and additional assets recognised with the Implementation of Grap 17. The comparative amount for depreciation and accumulated depreciation have been adjusted accordingly.

### Land

Change in land under PPE is due to Erf 770 on the land register which was overstated and has been retrospectively written off from the land register with a value of R 5,758 000

### Buildings

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 43. Comparative figures (continued)

Change in buildings under PPE is due to the restated figure of the assets register. The FAR for buildings include the following correction to the depreciation and the historical cost determined on the Depreciation Replacement Cost method. The result is an overall increase in building of R 1,156 698.98

#### Landfill site

There was a change in the landfill sites expected economic life and this had affected the historical cost determined on the Depreciation Replacement Cost. Further more the historical cost was adjusted to the current replacement cost and therefore accumulated depreciation was overstated in previous financial years. The result is a overall decrease in landfill sites.

#### Roads Infrastructure

Roads were restated in the current financial year as a result of depreciation being overstated in the previous financial years by R 9,278 385.66. There were also an adjustment made to the historical cost of roads assets due to a difference on the general ledger and FAR 2014. Roads included work in progress that were reclassified to a separate line item in the PPE note.

#### Water infrastructure

Water assets were restated in the current financial year as a result of depreciation being overstated in the previous financial years by R 4,963 215.70. There were also an adjustment made to the historical cost of roads assets due to a difference on the general ledger and FAR 2014 of R 1,555 218.99. Water included work in progress that were reclassified to a separate line item in the PPE note.

#### Electricity Infrastructure

Historical cost of electricity differ from the general ledger with a amount of R 396.14 and overstated depreciation of R11,297.49.

#### Sewerage Infrastructure

In the previous financial year depreciation on sewerage infrastructure was overstate with a amount of R 670.41 and were subsequently adjusted. The result is a overall decrease in landfill sites carrying value.

#### Movable assets

Motor vehicle on the annual final statement overstated depreciation as per movable asset register in the previous financial year.

The correction to depreciation of R 70,141 were the adjustment made to Motor vehicles in 2013.

Disposal due to losses or not found during the verification process of movable assets amount to R 274,000

Change in land under PPE is due Erf 770 on the land register were overstated and has been retrospectively been written off from the land register.

### 44. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 44. Risk management (continued)

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

### 45. Going concern

We draw attention to the fact that at 30 June 2014, the municipality's current liabilities exceeded its current assets. However, the financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Management considers this basis appropriate as they have had and still continue to have the financial support in the form of grants, both conditional and unconditional, from national and provincial government.

### 46. Unauthorised expenditure

Opening Balance	68 854 329	20 791 736
Movement	48 551 961	48 062 593
	<b>117 406 290</b>	<b>68 854 329</b>

Unauthorised expenditure will be reported to council, who will then investigate and conclude on the recoverability thereof.

### 47. Fruitless and wasteful expenditure

Opening Balance	1 059 423	791 079
Movement	58 957	268 344
	<b>1 118 380</b>	<b>1 059 423</b>

Fruitless and wasteful expenditure will be reported to council, who will then investigate and conclude on the recoverability thereof.

Details of fruitless and wasteful expenditure		
Interest charged on late payment to creditors	58 957	203 517
Legal fees incurred and could have been avoided	-	64 827
Poor quality of work received from service providers	-	-
Goods/services not received	-	-

## Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>48. Irregular expenditure</b>		
Opening balance	123 971 570	110 064 952
Add: Irregular Expenditure - current year	5 776 851	13 906 618
	<b>129 748 421</b>	<b>123 971 570</b>

#### Analysis of expenditure awaiting condonation per age classification

Current year	5 776 851	13 906 618
Prior years	123 971 570	110 064 952
	<b>129 748 421</b>	<b>123 971 570</b>

#### 49. Additional disclosure in terms of Municipal Finance Management Act

##### Contributions to organised local government

Opening balance	-	58 876
Current year subscription / fee	468 000	400 000
Amount paid - current year	(468 000)	(458 876)
	-	-

Membership fees paid to the South African Local Government Association.

##### Material losses

Electricity Distribution Losses	11 030 530	9 768 254
Water Distribution Losses	1 193 376	2 044 259
	<b>12 223 906</b>	<b>11 812 513</b>

Electricity losses were 69% (2013: 67.03%) consisting out of technical/non technical losses. Technical losses of electricity are inherent to the supply of electricity via lines, conditions/status and age of electricity networks, weather conditions and loads on the system.

Non-technical losses is mainly theft, vandalism and cable bringing which can largely contribute to losses.

Electricity losses amount to 36%, consisting of technical/non technical losses. Technical losses of water are inherent to the supply of water via conditions/status and age of the water network, and the loads on the water system. Non technical losses comprise of meter by-passing as well as unread meters.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 49. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days	Outstanding more than 90 days	Total
TE Radebe	148	3 592	3 740
SE Tshabalala	141	-	141
AD Radebe	753	-	753
JM Mofokeng	27	1 830	1 857
TR Zwane	140	-	140
	<b>1 209</b>	<b>5 422</b>	<b>6 631</b>

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
M.D Nkabinde	149	15 168	15 317
J.M Ngwenya - Sithebe	(490)	506	16
T.S Kobeni	5 630	3 868	9 498
D.A Wessels	719	1 556	2 275
S.M Zwane	797	15 168	15 965
T.E Radebe	277	1 596	1 873
	<b>7 082</b>	<b>37 862</b>	<b>44 944</b>

30 June 2014	Highest outstanding amount	Aging (in days)
TE Radebe	3 592	-
JM Mofokeng	1 830	-
	<b>5 422</b>	<b>-</b>

30 June 2013	Highest outstanding amount	Aging (in days)
M.D Nkabinde	15 168	-
S.M Zwane	15 168	-
T.S Kobeni	3 868	-
T.E Radebe	1 596	-
D.A Wessels	1 556	-
	<b>37 356</b>	<b>-</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 49. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Incident

Urgent repairs at water and sewer plants - Water Solutions Southern Africa	9 250 000	-
Emergency repairs of the water pumpstation in vrede - Ndalama Armature Winders cc	82 069	-
Emergency repairs to borehole to boost water supply - Blue Seal Engineering	24 795	-
Emergency repairs to the Thembalihle sewer pump - Blue Seal Engineering	90 664	-
Repairs to the Vrede waste water treatment plant - Blue Seal Engineering	108 357	-
Repairs of the water pumpstation and network in vrede - Refilwe Tsholofelo	25 700	-
Construction		
Procurement of Professional Services for the Annual Financial Statement - Makomota	-	892 848
Investment Holdings		
Acquisition of Town Planning IT Equipment - Complete computer innovation	-	429 779
Procurement of professional services for Thembalihle 2 Km paved road and Zamani	-	1
Installation of internal sewer network - Flagg Consulting Engineers		
	<b>9 581 585</b>	<b>1 322 628</b>

### 50. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	3 699 611	4 506 129
------------------------------	-----------	-----------

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 51. Budget differences

#### Material differences between budget and actual amounts

The excess of actual expenditure over the final budget for debt impairment and depreciation and amortisation is because of the low provisions recognised in the budget and the implementation of GRAP 17 assets.

#### Changes from the approved budget to the final budget

There is no difference between the approved budget and the final budget since no adjustment budget was approved by council.



## Appendix A

June 2014

### Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
<b>Development Bank of South Africa</b>							
Thembalihle sewerage network	10349 31/03/2017	223 756	-	46 579	177 177	-	-
Vrede Water Network	11193 20/09/2019	1 012 948	-	95 198	917 750	-	-
Memel sewerage network	12324 31/12/2015	47 025	-	2 749	44 276	-	-
Memel water network	12325 31/12/2015	86 251	-	62 176	24 075	-	-
		-	-	-	-	-	-
		<b>1 369 980</b>	-	<b>206 702</b>	<b>1 163 278</b>	-	-
Bonds		-	-	-	-	-	-
<b>Other loans</b>							
Absa Term Loan	3036850050 31/10/2017	3 136 149	-	599 916	2 536 233	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		<b>3 136 149</b>	-	<b>599 916</b>	<b>2 536 233</b>	-	-
Lease liability		-	-	-	-	-	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
<b>Total external loans</b>							

## June 2014

### Schedule of external loans as at 30 June 2014

- Loan Stock
- Structured loans
- Funding facility
- Development Bank of South Africa
- Bonds
- Other loans
- Lease liability
- Annuity loans
- Government loans

## June 2014

Analysis of property, plant and equipment as at 30 June 2014	
Cost/Revaluation	Accumulated depreciation

[illegible]

## Appendix B

June 2014

### Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation						Accumulated depreciation							
------------------	--	--	--	--	--	--------------------------	--	--	--	--	--	--	--

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>														
General vehicles	6 943 787	-	-	-	-	-	6 943 787	(4 045 185)	-	-	(1 129 718)	-	(5 174 903)	1 768 884
Plant & equipment	7 376 866	64 067	-	-	-	115 698	7 556 631	(4 443 286)	-	-	(1 066 587)	-	(5 509 873)	2 046 758
Computer Equipment	2 253 712	90 553	-	-	-	109 238	2 453 503	(1 202 500)	-	-	(486 142)	-	(1 688 642)	764 861
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	3 558 886	5 699	-	-	-	441 140	4 005 725	(2 020 759)	-	-	(471 956)	-	(2 492 715)	1 513 010
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	85 657	-	-	-	-	-	85 657	(54 512)	-	-	(14 519)	-	(69 031)	16 626
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	1 782 511	-	-	-	-	-	1 782 511	(791 597)	-	-	(255 520)	-	(1 047 117)	735 394
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>22 001 419</b>	<b>160 319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>666 076</b>	<b>22 827 814</b>	<b>(12 557 839)</b>	<b>-</b>	<b>-</b>	<b>(3 424 442)</b>	<b>-</b>	<b>(15 982 281)</b>	<b>6 845 533</b>

## Appendix B

June 2014

### Analysis of property, plant and equipment as at 30 June 2014

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	101 706 241	676 221	-	-	-	-	102 382 462	(22 744 921)	-	-	(1 635 356)	-	(24 380 277)	78 002 185
Infrastructure	491 680 128	45 851 968	-	-	-	-	537 532 096	(74 051 540)	-	-	(14 475 532)	-	(88 527 072)	449 005 024
Community Assets	18 664 466	3 250 313	-	-	-	-	21 914 779	(78 016)	-	-	-	-	(78 016)	21 836 763
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	22 001 419	160 319	-	-	-	666 076	22 827 814	(12 557 839)	-	-	(3 424 442)	-	(15 982 281)	6 845 533
	<b>634 052 254</b>	<b>49 938 821</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>666 076</b>	<b>684 657 151</b>	<b>(109 432 316)</b>	<b>-</b>	<b>-</b>	<b>(19 535 330)</b>	<b>-</b>	<b>(128 967 646)</b>	<b>555 689 505</b>
<b>Agricultural/Biological assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Intangible assets</b>														
Computers - software & programming	149 070	-	-	-	-	-	149 070	(101 376)	-	-	-	-	(101 376)	47 694
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>149 070</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>149 070</b>	<b>(101 376)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(101 376)</b>	<b>47 694</b>
<b>Investment properties</b>														
Investment property	22 760 135	-	-	-	-	-	22 760 135	(2 785 476)	-	-	(584 215)	-	(3 369 691)	19 390 444
	<b>22 760 135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22 760 135</b>	<b>(2 785 476)</b>	<b>-</b>	<b>-</b>	<b>(584 215)</b>	<b>-</b>	<b>(3 369 691)</b>	<b>19 390 444</b>
<b>Total</b>														
Land and buildings	101 706 241	676 221	-	-	-	-	102 382 462	(22 744 921)	-	-	(1 635 356)	-	(24 380 277)	78 002 185
Infrastructure	491 680 128	45 851 968	-	-	-	-	537 532 096	(74 051 540)	-	-	(14 475 532)	-	(88 527 072)	449 005 024
Community Assets	18 664 466	3 250 313	-	-	-	-	21 914 779	(78 016)	-	-	-	-	(78 016)	21 836 763
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	22 001 419	160 319	-	-	-	666 076	22 827 814	(12 557 839)	-	-	(3 424 442)	-	(15 982 281)	6 845 533
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	149 070	-	-	-	-	-	149 070	(101 376)	-	-	-	-	(101 376)	47 694
Investment properties	22 760 135	-	-	-	-	-	22 760 135	(2 785 476)	-	-	(584 215)	-	(3 369 691)	19 390 444
	<b>656 961 459</b>	<b>49 938 821</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>666 076</b>	<b>707 566 356</b>	<b>(112 319 168)</b>	<b>-</b>	<b>-</b>	<b>(20 119 545)</b>	<b>-</b>	<b>(132 438 713)</b>	<b>575 127 643</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2013

#### Cost/Revaluation                      Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	18 126 363	-	-	-	-	(5 758 000)	12 368 363	-	-	-	-	-	-	12 368 363
Landfill Sites (Separate for AFS purposes)	26 492 766	-	-	-	-	-	26 492 766	(6 541 424)	-	-	(1 635 356)	-	(8 176 780)	18 315 986
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	62 845 112	-	(347 000)	-	-	69 214	62 567 326	(11 375 970)	-	-	(2 914 385)	-	(14 290 355)	48 276 971
	<b>107 464 241</b>	<b>-</b>	<b>(347 000)</b>	<b>-</b>	<b>-</b>	<b>(5 688 786)</b>	<b>101 428 455</b>	<b>(17 917 394)</b>	<b>-</b>	<b>-</b>	<b>(4 549 741)</b>	<b>-</b>	<b>(22 467 135)</b>	<b>78 961 320</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	172 950 137	667 097	-	-	-	-	173 617 234	(27 016 502)	-	-	(6 621 729)	-	(33 638 231)	139 979 003
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	6 344 732	1 557 090	-	-	-	-	7 901 822	(2 492 285)	-	-	(237 324)	-	(2 729 609)	5 172 213
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	155 916 255	-	-	-	-	-	155 916 255	(22 642 858)	-	-	(5 701 061)	-	(28 343 919)	127 572 336
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	66 137 009	-	-	-	-	-	66 137 009	(9 251 174)	-	-	(2 312 794)	-	(11 563 968)	54 573 041
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>401 348 133</b>	<b>2 224 187</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>403 572 320</b>	<b>(61 402 819)</b>	<b>-</b>	<b>-</b>	<b>(14 872 908)</b>	<b>-</b>	<b>(76 275 727)</b>	<b>327 296 593</b>
<b>Community Assets</b>														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	18 664 466	-	-	-	-	-	18 664 466	-	-	-	(78 016)	-	(78 016)	18 586 450
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>18 664 466</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18 664 466</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(78 016)</b>	<b>-</b>	<b>(78 016)</b>	<b>18 586 450</b>

## Appendix B

June 2014

### Analysis of property, plant and equipment as at 30 June 2013

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>														
General vehicles	6 943 787	1 366 261	(181 759)	-	-	-	8 128 289	(4 685 081)	-	-	(544 606)	-	(5 229 687)	2 898 602
Plant & equipment	7 376 866	2 109 399	(68 147)	-	-	-	9 418 118	(5 741 486)	-	-	(743 052)	-	(6 484 538)	2 933 580
Computer Equipment	2 253 712	683 858	(17 070)	-	-	-	2 920 500	(1 412 247)	-	-	(457 041)	-	(1 869 288)	1 051 212
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	3 558 886	420 008	(7 709)	-	-	-	3 971 185	(2 031 110)	-	-	(401 948)	-	(2 433 058)	1 538 127
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	85 657	-	-	-	-	-	85 657	(44 470)	-	-	(10 042)	-	(54 512)	31 145
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	1 782 511	-	-	-	-	-	1 782 511	(571 460)	-	-	(220 137)	-	(791 597)	990 914
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>22 001 419</b>	<b>4 579 526</b>	<b>(274 685)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26 306 260</b>	<b>(14 485 854)</b>	<b>-</b>	<b>-</b>	<b>(2 376 826)</b>	<b>-</b>	<b>(16 862 680)</b>	<b>9 443 580</b>

## Appendix B

June 2014

### Analysis of property, plant and equipment as at 30 June 2013

#### Cost/Revaluation      Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	107 464 241	-	(347 000)	-	-	(5 688 786)	101 428 455	(17 917 394)	-	-	(4 549 741)	-	(22 467 135)	78 961 320
Infrastructure	401 348 133	2 224 187	-	-	-	-	403 572 320	(61 402 819)	-	-	(14 872 908)	-	(76 275 727)	327 296 593
Community Assets	18 664 466	-	-	-	-	-	18 664 466	-	-	-	(78 016)	-	(78 016)	18 586 450
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	22 001 419	4 579 526	(274 685)	-	-	-	26 306 260	(14 485 854)	-	-	(2 376 826)	-	(16 862 680)	9 443 580
	<b>549 478 259</b>	<b>6 803 713</b>	<b>(621 685)</b>	<b>-</b>	<b>-</b>	<b>(5 688 786)</b>	<b>549 971 501</b>	<b>(93 806 067)</b>	<b>-</b>	<b>-</b>	<b>(21 877 491)</b>	<b>-</b>	<b>(115 683 558)</b>	<b>434 287 943</b>
<b>Agricultural/Biological assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Intangible assets</b>														
Computers - software & programming	149 070	1 699	-	-	-	-	150 769	(45 471)	-	-	-	(57 604)	(103 075)	47 694
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>149 070</b>	<b>1 699</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150 769</b>	<b>(45 471)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(57 604)</b>	<b>(103 075)</b>	<b>47 694</b>
<b>Investment properties</b>														
Investment property	22 760 135	-	-	-	-	-	22 760 135	-	-	-	(2 785 476)	-	(2 785 476)	19 974 659
	<b>22 760 135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22 760 135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2 785 476)</b>	<b>-</b>	<b>(2 785 476)</b>	<b>19 974 659</b>
<b>Total</b>														
Land and buildings	107 464 241	-	(347 000)	-	-	(5 688 786)	101 428 455	(17 917 394)	-	-	(4 549 741)	-	(22 467 135)	78 961 320
Infrastructure	401 348 133	2 224 187	-	-	-	-	403 572 320	(61 402 819)	-	-	(14 872 908)	-	(76 275 727)	327 296 593
Community Assets	18 664 466	-	-	-	-	-	18 664 466	-	-	-	(78 016)	-	(78 016)	18 586 450
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	22 001 419	4 579 526	(274 685)	-	-	-	26 306 260	(14 485 854)	-	-	(2 376 826)	-	(16 862 680)	9 443 580
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	149 070	1 699	-	-	-	-	150 769	(45 471)	-	-	-	(57 604)	(103 075)	47 694
Investment properties	22 760 135	-	-	-	-	-	22 760 135	-	-	-	(2 785 476)	-	(2 785 476)	19 974 659
	<b>572 387 464</b>	<b>6 805 412</b>	<b>(621 685)</b>	<b>-</b>	<b>-</b>	<b>(5 688 786)</b>	<b>572 882 405</b>	<b>(93 851 538)</b>	<b>-</b>	<b>-</b>	<b>(24 662 967)</b>	<b>(57 604)</b>	<b>(118 572 109)</b>	<b>454 310 296</b>



## June 2014

<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>		<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>
<b>Municipality</b>						
602 847	8 201 757	(7 598 910)	Executive & Council/Mayor and Council	-	7 824 050	(7 824 050)
98 821 580	43 074 320	55 747 260	Finance & Admin/Finance	9 418 467	34 347 337	(24 928 870)
6 869	774 119	(767 250)	Planning and Development/Economic Development/Plan	20 010	670 808	(650 798)
-	20 170	(20 170)	Health/Clinics	-	39 748	(39 748)
162 935	2 306 987	(2 144 052)	Comm. & Social/Libraries and archives	135 084	2 380 435	(2 245 351)
-	-	-	Housing	-	-	-
99 920	860 993	(761 073)	Public Safety/Police	62 375	685 693	(623 318)
-	1 074 217	(1 074 217)	Sport and Recreation	-	1 149 587	(1 149 587)
-	-	-	Environmental Protection/Pollution Control	-	-	-
13 811 515	13 462 214	349 301	Waste Water Management/Sewerage	17 612 178	17 785 650	(173 472)
-	35 396 197	(35 396 197)	Road Transport/Roads	270 000	12 238 488	(11 968 488)
5 059 063	15 677 078	(10 618 015)	Water/Water Distribution	7 037 093	14 983 226	(7 946 133)
9 862 602	17 648 874	(7 786 272)	Electricity /Electricity Distribution	7 675 061	20 670 643	(12 995 582)
-	-	-	Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
<b>128 427 331</b>	<b>138 496 926</b>	<b>(10 069 595)</b>		<b>42 230 268</b>	<b>112 775 665</b>	<b>(70 545 397)</b>

-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Page 72

# Phumelela Local Municipality

## Appendix D

June 2014

### Segmental Statement of Financial Performance for the year ended 2013

2014

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
128 427 331	138 496 926	(10 069 595)	Total	42 230 268	112 775 665	(70 545 397)

## Appendix E(1)

June 2014

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014

	Current year 2014 Act. Bal.	Current year 2014 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	717 510	-	717 510	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	7 004 900	(7 004 900)	(100,0)	
Service charges	26 655 866	30 942 225	(4 286 359)	(13,9)	
	-	-	-	-	
	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	-	1 770 600	(1 770 600)	(100,0)	
Interest received (trading)	6 506 525	3 208 000	3 298 525	102,8	
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Licences and permits	16 995	24 000	(7 005)	(29,2)	
	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	989 631	2 670 000	(1 680 369)	(62,9)	
Fines	-	210 000	(210 000)	(100,0)	
Financial instruments - Fee income	-	-	-	-	
Other income - (rollup)	-	-	-	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	61 709 850	(61 709 850)	(100,0)	
Interest received - investment	545 847	665 000	(119 153)	(17,9)	
Interest received - other	-	-	-	-	
Dividends received	-	-	-	-	
	35 432 374	108 204 575	(72 772 201)	(67,3)	

## Appendix E(1)

June 2014

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014

	Current year 2014 Act. Bal.	Current year 2014 Bud. Amt	Variance	Explanation of Significant Variances greater than 10% versus Budget
Expenses				
Personnel	(47 036 796)	(43 242 242)	(3 794 554)	8,8
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(4 548 685)	(4 472 372)	(76 313)	1,7
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(20 396 203)	(2 478 000)	(17 918 203)	723,1
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(2 772 351)	(460 000)	(2 312 351)	502,7
Debt impairment	(21 783 711)	(11 454 579)	(10 329 132)	90,2
Collection costs	-	-	-	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses				
Repairs and maintenance	(8 048 694)	(10 066 000)	2 017 306	(20,0)
- General				
Repairs and maintenance	-	-	-	-
- General				
Bulk purchases	(17 843 850)	(13 545 682)	(4 298 168)	31,7
Contracted Services	(5 655 310)	(2 350 000)	(3 305 310)	140,7
Grants and subsidies paid	-	-	-	-
Cost of housing sold	-	-	-	-
General Expenses	(21 398 125)	(17 634 700)	(3 763 425)	21,3
Contribution to provisions	-	(2 501 000)	2 501 000	(100,0)
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
	(149 483 725)	(108 204 575)	(41 279 150)	38,1
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	-	-	-	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-
Taxation	-	-	-	-

**Appendix E(1)**

June 2014

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014**

	<b>Current year 2014 Act. Bal.</b>	<b>Current year 2014 Bud. Amt</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Discontinued operations	-	-	-	-
Net surplus/ (deficit) for the year	(114 051 351)	-	(114 051 351)	-

# Phumelela Local Municipality

## Appendix E(2)

June 2014

### Budget Analysis of Capital Expenditure as at 30 June 2014

	Additions	Original	Variance	Variance	Explanation of significant
	Rand	Budget	Rand	%	variances from budget
		Rand			
<b>Municipality</b>					
Executive & Council/Mayor and Council	-	2 263 850	2 263 850	<b>100</b>	
Finance & Admin/Finance	930	-	(930)	-	
Planning and Development/Economic Development/Plan	-	-	-	-	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	-	-	-	-	
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	3 250 313	4 212 750	962 437	<b>23</b>	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	3 970 902	5 507 211	1 536 309	<b>28</b>	
Road Transport/Roads	5 392 047	4 500 000	(892 047)	<b>(20)</b>	
Water/Water Distribution	8 878 203	0 293 189	1 414 986	<b>5</b>	
Electricity /Electricity Distribution	-	-	-	-	
Other/Air Transport	-	-	-	-	
Waste Management	-	50 000	50 000	<b>100</b>	
	-	-	-	-	
	-	-	-	-	
	<b>1 492 395</b>	<b>6 827 000</b>	<b>5 334 605</b>	<b>11</b>	

**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2014**

	2014/2013								2013/2012						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	7 994 000	-	7 994 000	-		7 994 000	7 799 030		(194 970)	98 %	98 %				7 482 667
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	7 523 000	-	7 523 000	-		7 523 000	7 062 392		(460 608)	94 %	94 %				6 797 406
Service charges - water revenue	13 505 225	-	13 505 225	-		13 505 225	12 724 334		(780 891)	94 %	94 %				9 808 057
Service charges - sanitation revenue	6 650 000	-	6 650 000	-		6 650 000	6 869 139		219 139	103 %	103 %				5 986 905
Service charges - refuse revenue	6 464 000	-	6 464 000	-		6 464 000	-		(6 464 000)	- %	- %				-
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Interest earned - external investments	665 000	-	665 000	-		665 000	7 052 371		6 387 371	1 061 %	1 061 %				4 211 188
Interest earned - outstanding debtors	3 208 000	-	3 208 000	-		3 208 000	-		(3 208 000)	- %	- %				-
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	210 000	-	210 000	-		210 000	64 404		(145 596)	31 %	31 %				107 650
Licences and permits	24 000	-	24 000	-		24 000	16 995		(7 005)	71 %	71 %				16 978
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - operational	61 709 850	-	61 709 850	-		61 709 850	270 000		(61 439 850)	- %	- %				90 481 249
Other revenue	251 500	-	251 500	-		251 500	1 707 141		1 455 641	679 %	679 %				1 091 633
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	108 204 575	-	108 204 575	-		108 204 575	43 565 806		(64 638 769)	40 %	40 %				125 983 733

**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2014**

2014/2013										2013/2012				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
43 242 242	-	43 242 242	-	-	43 242 242	47 036 796	-	3 794 554	109 %	109 %	-	-	-	44 482 108
4 472 372	-	4 472 372	-	-	4 472 372	4 548 685	-	76 313	102 %	102 %	-	-	-	4 447 485
11 454 578	-	11 454 578		-	11 454 578	21 783 711	-	10 329 133	190 %	190 %	-	-	-	16 929 193
2 478 000	-	2 478 000		-	2 478 000	20 396 203	-	17 918 203	823 %	823 %	-	-	-	26 378 117
-	-	-	-	-	-	2 772 351	-	2 772 351	DIV/0 %	DIV/0 %	-	-	-	2 027 333
13 545 682	-	13 545 682	-	-	13 545 682	17 843 850	-	4 298 168	132 %	132 %	-	-	-	17 601 562
-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
2 350 000	-	2 350 000	-	-	2 350 000	5 655 310	-	3 305 310	241 %	241 %	-	-	-	3 977 926
-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
30 658 701	-	30 658 701	-	-	30 658 701	29 446 818	-	(1 211 883)	96 %	96 %	-	-	-	34 209 313
-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
108 201 575	-	108 201 575	-	-	108 201 575	149 483 724	-	41 282 149	138 %	138 %	-	-	-	150 053 037
3 000	-	3 000	-		3 000	(105 917 918)		(105 920 918)	(3 530 597)%	(3 530 597)%				(24 069 304)
-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
3 000	-	3 000	-		3 000	(105 917 918)		(105 920 918)	(3 530 597)%	(3 530 597)%				(24 069 304)
-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
3 000	-	3 000	-		3 000	(105 917 918)		(105 920 918)	(3 530 597)%	(3 530 597)%				(24 069 304)
-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
3 000	-	3 000	-		3 000	(105 917 918)		(105 920 918)	(3 530 597)%	(3 530 597)%				(24 069 304)
-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
3 000	-	3 000	-		3 000	(105 917 918)		(105 920 918)	(3 530 597)%	(3 530 597)%				(24 069 304)



**Appendix G4**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June 2014**

	2014/2013								2013/2012						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital multi-year expenditure sub-total	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Single-year expenditure															
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Vote	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-

**Appendix G4**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June 2014**

2014/2013										2013/2012					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand	
Capital Expenditure - Standard															
Governance and administration	-	-	-	-	-	929 587	-	929 587	DIV/0 %	DIV/0 %	-	-	-	712 493	
Executive and council	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Budget and treasury office	-	-	-	-	-	929 587	-	929 587	DIV/0 %	DIV/0 %	-	-	-	712 493	
Corporate services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Community and public safety	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	680 003	
Community and social services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Sport and recreation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	680 003	
Public safety	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Housing	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Health	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Economic and environmental services	-	-	-	-	-	398 439	-	398 439	DIV/0 %	DIV/0 %	-	-	-	398 439	
Planning and development	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Road transport	-	-	-	-	-	398 439	-	398 439	DIV/0 %	DIV/0 %	-	-	-	398 439	
Environmental protection	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Trading services	-	-	-	-	-	12 053 265	-	12 053 265	DIV/0 %	DIV/0 %	-	-	-	16 186 235	
Electricity	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Water	-	-	-	-	-	8 240 310	-	8 240 310	DIV/0 %	DIV/0 %	-	-	-	12 557 178	
Waste water management	-	-	-	-	-	3 812 955	-	3 812 955	DIV/0 %	DIV/0 %	-	-	-	3 629 057	
Waste management	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Other	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Other	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Total Capital Expenditure - Standard	-	-	-	-	-	13 381 291	-	13 381 291	DIV/0 %	DIV/0 %	-	-	-	17 977 170	
Funded by:															
National Government	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Provincial Government	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
District Municipality	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Other transfers and grants	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Transfers recognised - capital	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Public contributions & donations	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Borrowing	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Internally generated funds	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Total Capital Funding	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	

# Appendix G5

## Budgeted Cash Flows

### for the year ended 30 June 2014

	2013/2014						2013		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	-	-	-	-	51 146 019	51 146 019	DIV/0 %	DIV/0 %	223 450 525
Government - operating	-	-	-	-	270 000	270 000	DIV/0 %	DIV/0 %	90 481 249
Government - capital	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Interest	-	-	-	-	7 052 371	7 052 371	DIV/0 %	DIV/0 %	4 211 188
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	-	-	-	-	249 559 866	249 559 866	DIV/0 %	DIV/0 %	165 074 508
Finance charges	-	-	-	-	2 772 351	2 772 351	DIV/0 %	DIV/0 %	2 027 333
Transfers and Grants	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used operating activities	-	-	-	-	310 800 607	310 800 607	DIV/0 %	DIV/0 %	485 244 803
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	-	-	-	-	(43 083)	(43 083)	DIV/0 %	DIV/0 %	(134 149)
Payments									
Capital assets	-	-	-	-	1 273 332	1 273 332	DIV/0 %	DIV/0 %	12 007 585
Net cash flow from/used investing activities	-	-	-	-	1 230 249	1 230 249	DIV/0 %	DIV/0 %	11 873 436
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	(1 336 749)	(1 336 749)	DIV/0 %	DIV/0 %	3 259 489
Increase (decrease) in consumer deposits	-	-	-	-	(895)	(895)	DIV/0 %	DIV/0 %	(4 600)
Payments									
Repayment of borrowing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used financing activities	-	-	-	-	(1 337 644)	(1 337 644)	DIV/0 %	DIV/0 %	3 254 889
Net increase/(decrease) in cash held	-	-	-	-	310 693 212	310 693 212	DIV/0 %	DIV/0 %	500 373 128
Cash/cash equivalents at the year begin:					599 592 850				6 571 155
Cash/cash equivalents at the year end:	-	-	-	-	910 286 062	310 693 212	DIV/0 %	DIV/0 %	